

My name is Manuel Lopez and I am the Deputy Director and Chief Operating Officer for the Tejano Center for Community Concerns. I am providing testimony on behalf of Richard Farias, the organization's President and CEO. It is impossible for me to provide the Committee with information on the status of affordable housing throughout the City of Houston; however, I believe I can do so for the East End, where Tejano Center has labored for the past 15 years, attempting to impact social, economic, health educational, and housing conditions. Most particularly I can speak to issues regarding the providing of opportunities for homeownership to Hispanic families, which has been the primary focus of the organization's housing initiatives.

Tejano Center's service area is comprised of the East End's residential neighborhoods, most of which are predominately low-income, with many in a state of social and economic deterioration. Drugs, alcohol, and inhalant abuse are serious issues, as are juvenile delinquency and violence. Homelessness, blight and dilapidated housing are not uncommon. Between 1990 and 2000 the poverty rate in the service area grew by 7%. Per capita income is 56% of the city's average. In 2000 East End residents, 25 years and older, were 3 times more likely than the rest of the city to have less than a ninth grade education. Job losses in the East End between 1990 and 2000 totaled almost 1,500. New housing starts outside the downtown periphery are almost in a flatline, providing impetus, to overcrowding, as well as, to a more rapid deterioration of the existing residential stock. Employment is primarily in the manufacturing, trade, and construction industries, with operators and laborers dominating the job sector. Median household income in the East End ranges from \$12,083 in Groveland Terrace (CT 2118) to \$61,142 in McNair (CT 2532). The total number of low to moderate-income persons in 2000 was 162,538, or 72% of residents. Data on educational levels reflects that 32% of the population over age 25 have less than a 9<sup>th</sup> grade education. Over 55% of the same group did not graduate from high school and only 6% graduated from a college, or university.

The East End is a very large and fluid homogeneous community where commonalities amongst residents abound. In addition to neighborhoods sharing many similar characteristics such as low income and low literacy levels, there is a common language, ethnicity, and culture. Residents depend on jobs from the same industrial base and reflect like employment patterns. The extended family culture impacts housing trends and choices. Typically, families prefer to purchase a house close to their jobs and in neighborhoods and surroundings with which they are familiar. This means near to other family members, friends, and to churches and schools they know well. In the service area that is fast becoming a near impossibility. Housing opportunities in the East End's older neighborhoods are scarce and getting even scarcer. The few used homes that do get on the market command a price tag that approaches that of a new home of comparable size and amenities. For 40-60 year-old, two and three bedroom homes, the asking price ranges from \$50,000 to \$80,000.

Many families have opted to move out of the East End and into new subdivisions nearby. These have been opened up by private developers and builders between Hobby Airport and Beltway 8. There families pay between \$85,000-\$135,000 for 3 and 4 bedroom homes touted as affordable housing. However, several of the developers have shown little or no patience for governmental regulations that hold up their closings, or so they claim. As a result, some of the developers and builders have chosen not to participate in one of the few financial support mechanisms available

to low and moderate-income homebuyers, the HOME down payment and closing cost assistance program offered to LMI families by the City of Houston and Harris County. These actions have served to eliminate the lower end of the organization's client base from purchasing private sector products. Only the higher end families and others earning 80% or more of median income have been able to acquire and move into the homes.

The social and economic benefit of homeownership to a community and to society in general has been amply documented. However, in many urban areas such as the East End, huge gaps in homeownership rates persist. The salient need to provide additional affordable homeownership opportunities in our service area is evidenced by the huge numbers of low and moderate-income renter households. Of the 162,538 low and moderate-income residents, an estimated 40% are renters, representing 65,015 persons, or 18,800 households. However, a precise count of families is difficult to calculate, due to the fact that there is a significantly large number of situations in which two or more families live in a single residential unit. The fact is that such cases augment the actual number of renter households in a particular census tract, oftentimes skewing the official count.

Low and moderate-income Hispanic homeowner families can be the most significant stabilizing force in arresting and reversing social and economic deterioration of residential neighborhoods in the East End. This population sector, however, faces severe barriers to homeownership. In brief, specific obstacles are poverty, low-income levels, and low literacy levels, with large numbers of families possessing little or no knowledge of the English language. There is limited information in the community on the homeownership process, or of opportunities for homeownership, or of typical bank and mortgage company requirements and procedures. Typical East End households are comprised of large families with limited capital assets.

According to the U.S. Bureau of the Census, there are 156,387 Hispanics in the service area, or 69.2% of the district's total population of 225,599. A significantly large percentage of these are undocumented residents, most of whom are Hispanic in origin. These families face particular hardships when exerting any attempt to realize their dream of homeownership. A major obstacle in qualifying such households for home mortgage loans is income documentation. Many program clients do not have legal status to live or work in the United States and most have not yet initiated the process to legalize their stay. Nearly all receive the bulk of their income in cash, and do not have a history of filing federal income tax returns. Income documentation obstacles exist even with families who have legalized their status in this country. Many clients do not report all of their taxable income, others have two jobs and get paid cash in one or both, and others work in the food and beverage service industries where cash tips make up the lion's share of their income. The reasons families give for failing to properly document their income vary, and the underlying cause for the phenomena may be cultural, economic, and/or ignorance, or some combination thereof. However, the hard reality remains that many mortgage worthy Hispanic families fail to receive approval because of the lack of income documentation.

There are other problems that inhibit homeownership among the Hispanic population in the East End. The barriers stem principally from housing condition in the service area. Foremost among these is the status of the existing housing stock. Large numbers of residential structures are dilapidated or in a state of severe deterioration. Most houses are extremely old. The average age

of the housing stock ranges from 21 years in Census Tract 2523 to 58 years in Census Tract 3104. Over 75% of the housing is 40 years old or older. Such conditions are aggravated by high rates of overcrowding and significant numbers of abandoned properties and boarded up homes. New housing starts that would serve to replace the dilapidated and deteriorating homes would barely make a bleep on the radar screen. On the other hand, economic activity in the greater Houston Metropolitan Area has caused the price of existing houses in the East End to skyrocket. This has led to serious repercussions to an area where income levels are at less than 50% of that for the City as a whole. The availability of housing has become extremely limited for families looking at either the rental or the homeownership market. Families who are actively seeking to purchase a home more often than not have had to look elsewhere to meet their housing needs.

Tejano Center supports expansion of existing homebuyer counseling and education programs as a major step to increasing affordable housing opportunities for low and moderate-income families. Such an expansion should target the application of funding and other resources directly to communities and provide support to organizations laboring in the trenches on a daily basis, creating affordable housing opportunities one family at a time. Tejano Center also supports an expansion of HOME programs with increased appropriations for down payment and closing costs assistance to low and moderate-income homebuyer families, as well as, increased allocations for CHDO (Community Housing Development Organization). set-aside funds that will serve to build the capacity of CHDOs to develop new, affordable replacement housing and rehab existing residential structures in their service area. Tejano Center additionally supports the providing of categorical federal assistance for Houston Hope and LARA, high impact and innovative affordable housing programs created by the City of Houston under the guidance and leadership of Mayor Bill White and which will facilitate their expansion to other residential neighborhoods not now benefiting from these initiatives. As well, the organization supports continuation of Fair Housing legislation and appropriations, and curbs on the practices of lenders engaged in the issuance of subprime mortgage loans currently causing devastation to many low and moderate-income homeowners.